SIYATHEMBA
MUNICIPALITY

FINANCIAL STATEMENTS

30 JUNE 2012

SIYATHEMBA MUNICIPALITY

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SIYATHEMBA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Siyathemba Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

Siyathemba Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Siyathemba Municipality includes the following towns and surrounding rural areas:
Prieska
Marydale
Niekerkshoop

MUNICIPAL MANAGER (ACTING)

HEE van Niewenhuizen

CHIEF FINANCIAL OFFICER

HEE van Niewenhuizen

REGISTERED OFFICE

Siyathemba Municipality; Victoria Street ; Prieska; 8940

AUDITORS

Auditor - General South Africa

PRINCIPLE BANKERS

Account Name: Siyathemba Municipality
Account Number: 4053552997
Name of bank: ABSA
Name of branch: Northern Cape Public Sector
Branch code: 630302

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SIYATHEMBA MUNICIPALITY

MEMBERS OF THE SIYATHEMBA MUNICIPALITY

COUNCILLORS

Clr Papier; P	Speaker	Proporsional	ANC
Clr Molepo; J	Ordinary Councillor	Ward 1	ANC
Clr van Wyk; F	Ordinary Councillor	Ward 2	ANC
Clr Speelman; G	Ordinary Councillor	Ward 3	ANC
Clr Martin; E	Ordinary Councillor	Ward 4	ANC
Clr Macdanald; G	Ordinary Councillor	Proporsional	COPE
Clr Titus; B	Ordinary Councillor	Proporsional	COPE
Clr Mackay; G	Ordinary Councillor	Proporsional	DA

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages ..... to ..... in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

30-Aug-12

HEE van Niewenhuizen **Date**

MUNICIPAL MANAGER (ACTING)

SIYATHEMBA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

NET ASSETS AND LIABILITIES	Notes	2012 R	2011 R	2011 R Restated	2011 R Correction	2011 R Previously reported
Net Assets		**231 927 051**	**233 018 386**	**233 018 386**	**11 633 427**	**244 651 813**
Accumulated Surplus/(Deficit)		231 927 051	233 018 386	233 018 386	11 633 427	244 651 813
Non-Current Liabilities		**15 286 300**	**14 117 765**	**11 628 172**	**(11 305 851)**	**322 321**
Long-term Liabilities	**1**	2 196 575	302 801	302 801	-	302 801
Employee benefits	**2**	13 089 725	11 325 371	11 325 371	(11 305 851)	19 520
Non-Current Provisions	**3**	0	2 489 593	2 489 593	(2 489 593)	
Current Liabilities		**24 880 314**	**13 755 475**	**13 755 475**	**(472 903)**	**13 282 572**
Consumer Deposits	**4**	483 058	450 198	450 198	(109 312)	340 885
Current Employee benefits	**5**	3 550 583	2 751 255	2 751 255	(1 095 503)	1 655 751
Provisions	**6**	2 760 233	-	-	-	-
Payables from exchange transactions	**7**	14 992 756	8 272 280	8 272 280	143 979	8 416 259
Unspent Conditional Government Grants and Receipts	**8**	2 053 144	1 655 323	1 655 323	-	1 655 323
Taxes	**9**	0	-	-	587 934	587 934
Cash and Cash Equivalents	**16**	726 421	578 986	578 986	-	578 986
Current Portion of Long-term Liabilities	**1**	314 119	47 433	47 433	-	47 433
Total Net Assets and Liabilities		**272 093 664**	**260 891 625**	**258 402 032**	**(145 327)**	**258 256 705**
ASSETS						
Non-Current Assets		**260 568 397**	**254 488 069**	**254 488 069**	**(3 974)**	**254 484 095**
Property, Plant and Equipment	**10**	260 499 399	254 382 255	254 382 255	-	254 382 255
Long-Term Receivables	**11**	68 998	105 814	105 814	(3 974)	101 840
Current Assets		**11 525 268**	**6 403 556**	**6 403 556**	**(2 630 946)**	**3 772 610**
Inventory	**12**	318 771	219 100	219 100	(7 635)	211 465
Receivables from exchange transactions	**13**	4 314 481	2 386 429	2 386 429	(561 232)	1 825 196
Receivables from non-exchange transactions	**14**	2 032 396	1 224 955	1 224 955	(265 201)	959 755
Unpaid Conditional Government Grants and Receipts	**8**	265 810	-	-	-	-
Operating Lease Asset	**15**	17 549	14 991	14 991	(6 499)	8 492
Taxes	**9**	2 497 806	1 789 217	1 789 217	(1 789 217)	-
Current Portion of Long-term Receivables	**11**	27 972	13 115	13 115	-	13 115
Cash and Cash Equivalents	**16**	2 050 482	755 750	755 750	(1 162)	754 587
Total Assets		**272 093 664**	**260 891 625**	**260 891 625**	**(2 634 920)**	**258 256 705**

SIYATHEMBA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Actual R	2011 Restated R	2011 Correction of Error R	2011 Previously reported R
REVENUE					
Revenue from Non-exchange Transactions		**43 255 119**	**37 324 734**	**257 476**	**37 067 258**
Taxation Revenue		**4 687 033**	**4 869 689**	**-**	**4 869 689**
Property rates	**17**	4 687 033	4 869 689	-	4 869 689
Transfer Revenue		**38 467 432**	**32 083 614**	**-**	**32 083 614**
Government Grants and Subsidies - Capital	**18**	16 102 694	13 819 075	(4 445 465)	18 264 539
Government Grants and Subsidies - Operating	**18**	22 338 988	18 264 539	4 445 465	13 819 075
Public Contributions and Donations		25 750	-	-	-
Other Revenue		**100 654**	**371 431**	**257 476**	**113 955**
Actuarial Gains		-	99 408	99 408	-
Third Party Payments		-	83 268	-	83 268
Fines		65 159	30 687	-	30 687
Other Revenue	**19**	35 496	158 068	158 068	
Revenue from Exchange Transactions		**19 530 382**	**19 374 755**	**1 365 221**	**18 009 534**
Service Charges	**20**	15 861 856	16 925 115	70 478	16 854 636
Rental of Facilities and Equipment		706 564	553 482	196 866	356 615
Interest Earned - external investments		186 269	71 024	71	70 953
Interest Earned - outstanding debtors		1 320 090	621 041	-	621 041
Licences and Permits		561	1 118	2 097 051	(2 095 932)
Agency Services		1 126 540	2 014	(1 612 641)	1 614 655
Other Income	**21**	328 501	1 187 799	613 395	574 404
Gain on disposal of Property, Plant and Equipment		-	13 162	-	13 162
Total Revenue		**62 785 501**	**56 699 489**	**1 622 697**	**55 076 792**
EXPENDITURE					
Employee related costs	**22**	24 453 512	21 393 462	675 667	20 717 795
Remuneration of Councillors	**23**	1 821 438	1 473 593	(249 752)	1 723 346
Debt Impairment	**24**	2 337 434	5 161 497	(1 445 419)	6 606 915
Depreciation and Amortisation	**25**	9 181 751	9 305 120	-	9 305 120
Impairments	**26**	7 926	-	-	-
Repairs and Maintenance		2 365 934	2 590 134	(126 694)	2 716 827
Actuarial losses	**2**	729 798	306 275	306 275	-
Finance Charges	**27**	1 070 363	931 899	925 053	6 846
Bulk Purchases	**28**	9 445 542	6 498 136	(744 625)	7 242 761
Grants and Subsidies	**29**	6 260	101 289	-	101 289
Operating Grant Expenditure	**30**	6 179 055	2 785 000	-	2 785 000
General Expenses	**31**	6 277 824	7 781 638	334 837	7 446 801
Total Expenditure		**63 876 836**	**58 328 043**	**(324 657)**	**58 652 700**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(1 091 335)**	**(1 628 555)**	**1 947 353**	**(3 575 908)**

SIYATHEMBA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2010	**248 227 721**	**248 227 721**
Correction of error / Change in accounting policy	(13 580 780)	(13 580 780)
Restated Balance at 1 JULY 2010	**234 646 940**	**234 646 940**
Net Deficit for the year	(1 628 555)	(1 628 555)
Balance at 30 JUNE 2011	**233 018 386**	**233 018 386**
Net Deficit for the year	(1 091 335)	(1 091 335)
Balance at 30 JUNE 2012	**231 927 051**	**231 927 051**

SIYATHEMBA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		17 880 882	30 859 178
Government - operating		22 338 988	18 264 539
Government - capital		16 102 694	13 819 075
Interest		1 506 359	692 065
Payments			
Suppliers and employees		(42 502 918)	(49 700 101)
Finance charges	**27**	(1 070 363)	(931 899)
Transfers and Grants		(6 260)	(101 289)
Cash generated by operations	**34**	**14 249 383**	**12 901 567**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**10**	(15 306 821)	(12 150 611)
Decrease/(Increase) in Long-term Receivables	**11**	11 415	9 276
Net Cash from Investing Activities		**(15 295 406)**	**(12 128 173)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(101 507)	-
New loans raised		2 261 967	-
(Decrease)/Increase in Consumer Deposits		32 860	(44 214)
Net Cash from Financing Activities		**2 193 320**	**(44 214)**
NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS		**1 147 297**	**729 181**
Cash and Cash Equivalents at the beginning of the year		176 764	(552 417)
Cash and Cash Equivalents at the end of the year	**35**	1 324 061	176 764
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1 147 297**	**729 181**

INSERT ACCOUNTING POLICY

1	LONG-TERM LIABILITIES	2012 R	2011 R
	Capitalised Lease Liability - At amortised cost	302 801	350 234
	Hire Purchase	2 207 893	-
		2 510 694	**350 234**
	Current Portion transferred to Current Liabilities	**314 119**	**47 433**
	Capitalised Lease Liability - At amortised cost	68 667	47 433
	Hire Purchase	245 452	-
		2 196 575	**302 801**
	Total Long-term Liabilities - At amortised cost using the effective interest rate metho	**2 196 575**	**302 801**

Refer below for maturity dates of long term liabilities:

The obligations under finance leases are scheduled below

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	103 753	90 220
Payable within two to five years	267 854	371 608
Payable after five years	-	-
	371 608	461 828
Less: Future finance obligations	(68 807)	(111 594)
Present value of lease obligations	**302 801**	**350 234**

Leases are secured by property, plant and equipment - Note 10

The capitalised lease liability consist out of the following contracts

Supplier	Description of leased item	Contingent rent	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Gestetner	Copiers	R 31 381	11%	15%	5 Years	01/07/2015

The obligations under hire purchase agreements are scheduled below

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	448 036	-
Payable within two to five years	1 792 143	-
Payable after five years	801 929	-
	3 042 109	-
Less: Future finance obligations	(834 216)	-
Present value of hire purchase obligations	**2 207 893**	**-**

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 2 (Revised – Feb 2010)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised – Feb 2010)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised – Feb 2010)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 10 (Revised – Feb 2010)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised – Feb 2010)	Construction Contracts	1 April 2011
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 14 (Revised – Feb 2010)	Events after the reporting date	1 April 2011
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 19 (Revised – Feb 2010)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012

GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 100 (Revised – Feb 2010)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	**Description**	**Effective Date**
GRAP 20	Related Parties	Unknown

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**1 April 2011**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in joint ventures where	**Unknown**

	the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does not participate in such business transactions.	
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**1 April 2011**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 24 **(Original – Nov 2007)**	**Presentation of Budget Information in Financial Statements** This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.	**1 April 2012**
GRAP 103 **(Original – July 2008)**	**Heritage Assets** The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP	**1 April 2012**

	17.	
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the

relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that

are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		***Years***
Infrastructure		**Other**	
Roads and Paving	10-120	Buildings	100
Electricity	20-50	Vehicles	5-44
Water	10-55	Office equipment	4-35
Sewerage	15-20	Furniture and fittings	1-35
		Electrical equipment	2-14
Community		Mechanical equipment	4-10
Recreational Facilities	100	Computer equipment	5-12
Cemetery	23-25		
Finance lease assets		Landfill sites	5 -70
Office equipment	8-9		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate

accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined usage, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	**Years**
Buildings	100

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first in first out method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of

the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of

purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party; or exercise significant influence over the other party; or vice versa; or an entity that is subject to common control, or joint control. The following are regarded as related parties of the reporting entity:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the management of the reporting entity or its controlling entity.

(b) An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified who has control or joint control over the reporting entity and has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the entity, including:

(a) all members of the governing body of the reporting entity;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity; and
(d) the senior management team of the entity, including the chief executive officer or permanent head of the entity, unless already included in (a).

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 2 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;

- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of cell on that each specific landfill site.
- The engineers calculated the current cost of rehabilitation of the whole cell in operation and determined the capacity used.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end; that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 10 days worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

2	EMPLOYEE BENEFITS	2012 R	2011 R
	Post Retirement Benefits - Refer to Note 2.1	8 785 434	7 359 437
	Long Service Awards - Refer to Note 2.2	2 984 775	2 812 321
	Ex-gratia Pension	1 319 516	1 153 612
	Total Non-current Employee Benefit Liabilities	**13 089 725**	**11 325 371**
	Balance previously reported		**19 520**
	Correction of error - Refer to note 33.1		11 305 851
			11 325 371

	2012 R	2011 R
Post Retirement Benefits		
Balance 1 July	7 593 461	6 973 442
Contribution for the year	389 442	360 465
Interest Cost	653 248	598 842
Expenditure for the year	(249 854)	(239 880)
Actuarial Loss/(Gain)	651 929	(99 408)
Total post retirement benefits 30 June	**9 038 226**	**7 593 461**
Less: Transfer of Current Portion - Note 5	(252 792)	(234 024)
Balance 30 June	**8 785 434**	**7 359 437**
Long Service Awards		
Balance 1 July	3 187 097	3 051 513
Contribution for the year	315 683	305 948
Interest Cost	226 352	215 924
Expenditure for the year	(374 776)	(417 166)
Actuarial Loss/(Gain)	16 849	30 878
Total long service 30 June	**3 371 205**	**3 187 097**
Less: Transfer of Current Portion - Note 5	(386 430)	(374 776)
Balance 30 June	**2 984 775**	**2 812 321**
Ex-gratia Pension		
Balance 1 July	1 223 768	1 224 279
Contribution for the year	-	-
Interest Cost	104 884	110 287
Expenditure for the year	(70 156)	(386 195)
Actuarial Loss/(Gain)	61 020	275 397
Total Ex-gratia Pension 30 June	1 319 516	**1 223 768**
Less: Transfer of Current Portion - Note 5	-	(70 156)
Balance 30 June	**1 319 516**	**1 153 612**
TOTAL NON-CURRENT EMPOLYEE BENEFITS		
Balance 1 July	12 004 326	11 249 234
Contribution for the year	705 125	666 413
Interest cost	984 484	925 053
Expenditure for the year	(694 786)	(1 043 241)
Actuarial Loss/(Gain)	729 798	206 867
Total employee benefits 30 June	**13 728 947**	**12 004 326**
Less: Transfer of Current Portion - Note 5	(639 222)	(678 956)
Balance 30 June	**13 089 725**	**11 325 371**

2.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	141
Continuation members (e.g. Retirees, widows, orphans)	8
Total Members	**149**

	2012 R	2011 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	6 628 303	5 568 765
Continuation members	2 409 923	2 024 696
Total Liability	**9 038 226**	**7 593 461**

2 EMPLOYEE BENEFITS (CONTINUE)

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R
In-service members	5 114 066
Continuation members	1 859 376
Total Liability	**6 973 442**

The municipality makes monthly contributions for health care arrangements to the following medical aid

Bonitas;
Hosmed
LA Health
Samwumed; and
Key health.

Key actuarial assumptions used:	2012 %
i) Rate of interest	
Discount rate	8.02%
Health Care Cost Inflation Rate	7.09%
Net Effective Discount Rate	0.87%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows		
Present value of fund obligations	9 038 226	7 593 461
Total Liability	**9 038 226**	**7 593 461**

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation		
Present value of fund obligation at the beginning of the yea	7 593 461	6 973 442
Total expenses	792 836	719 427
Current service cost	389 442	360 465
Interest Cost	653 248	598 842
Benefits Paid	(249 854)	(239 880)
Actuarial (gains)/losses	651 929	(99 408)
Present value of fund obligation at the end of the yea	9 038 226	7 593 461
Less: Transfer of Current Portion - Note 5	(252 792)	(234 024)
Balance 30 June	**8 785 434**	**7 359 437**

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	6.628	2.410	9.038	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	8.000	2.565	10.565	17%
Health care inflation	-1%	5.526	2.273	7.799	-14%
Post-retirement mortality	-1 year	6.918	2.528	9.446	5%
Average retirement age	-1 year	7.397	2.410	9.807	9%
Withdrawal Rate	-50%	7.177	2.410	9.587	6%

2 EMPLOYEE BENEFITS (CONTINUE)

	2012	2011
2.2 Long Service Bonuses		

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses	85

Key actuarial assumptions used:	2012 %
i) Rate of interest	
Discount rate	7.21%
General Salary Inflation (long-term)	5.56%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.56%

	2012	2011
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 371 205	3 187 097
Net liability	**3 371 205**	**3 187 097**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R
Total Liability	3 051 513

Reconciliation of present value of fund obligation	2012 R	2011 R
Present value of fund obligation at the beginning of the yea	3 187 097	3 051 513
Total expenses	167 259	104 706
Current service cost	315 683	305 948
Interest Cost	226 352	215 924
Benefits Paid	(374 776)	(417 166)
Actuarial (gains)/losses	16 849	30 878
Present value of fund obligation at the end of the yea	3 371 205	3 187 097
Less: Transfer of Current Portion - Note 5	(386 430)	(374 776)
Balance 30 June	**2 984 775**	**2 812 321**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	**Change**	**Liability (R)**	**% change**
Central assumptions		3.371	
General salary inflation	1.00%	3.401	1%
General salary inflation	-1.00%	3.354	-1%
Average retirement age	-2 yrs	2.976	-12%
Average retirement age	+2 yrs	3.746	11%
Withdrawal rates	-50.00%	3.746	11%

2.3 Ex-gratia Pension

The Ex-gratia Pension plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex-gratia Pension	22

Key actuarial assumptions used:	2012 %
i) Rate of interest	
Discount rate	8.51%
General Salary Inflation (long-term)	6.86%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.54%

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 319 516	1 223 768
Net liability	**1 319 516**	**1 223 768**

2 EMPLOYEE BENEFITS (CONTINUE)

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R
Total Liability	1 224 279

Reconciliation of present value of fund obligation	**2012 R**	**2011 R**
Present value of fund obligation at the beginning of the yea	1 223 768	1 224 279
Total expenses	34 728	(275 908)
Current service cost	-	-
Interest Cost	104 884	110 287
Benefits Paid	(70 156)	(386 195)
Actuarial (gains)/losses	61 020	275 397
Present value of fund obligation at the end of the yea	1 319 516	1 223 768
Less: Transfer of Current Portion - Note	-	(70 156)
Balance 30 June	**1 319 516**	**1 153 612**

Sensitivity Analysis on the Unfunded Accrued Liabilit

Assumption	**Change**	**Liability (R)**	**% change**
Central assumptions		1 319 516	
General salary inflation	1.00%	1 412 208	7.0%
General salary inflation	-1.00%	1 237 237	-6.2%
Average retirement age	-2 yrs	1 318 175	-0.1%
Average retirement age	+2 yrs	1 338 717	1.5%
Withdrawal rates	-50.00%	1 321 049	0.1%

2.4 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE RETIREMENT FUND	**Contributing members**	
The contribution rate payable is 9% by members and 18% by Council.	40 (Employees 38 & 2 Councillors)	**2012**
Contributions paid recognised in the Statement of Financial Performance		910 950

NATIONAL FUND FOR MUNICIPAL WORKERS	**Contributing members**	
The contribution rate payable is 9% by members and 18% by Council.	8	**2012**
Contributions paid recognised in the Statement of Financial Performance		110 921

2 EMPLOYEE BENEFITS (CONTINUE)

DEFINED CONTRIBUTION FUNDS

Council contribute to the South African Local Authorities Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Contributing members
South African Local Authorities Pension Fund	2011/06/30	8
SAMWU National Provident Fund	2008/06/30	94

The funding level for SALA pension fund had improved from the previous valuation date (96% as at 30 June 2010) to 98% as at 30 June 2011. The fund's actuary recommended that the participating employers continue to contribute at the rate of 20.78% which prevailed prior to the 30 June 2011 valuation.

Note: The latest result of the actuarial valuation for SAMWU National Provident Fund are 30 June 2008.

	2012
Contributions paid recognised in the Statement of Financial Performance	
Sala Pension Fund	71 543
SAMWU National Provident Fund	1 275 850
	1 347 393

3 NON-CURRENT PROVISIONS

	2012 R	2011 R
Provision for Rehabilitation of Landfill-sites	-	2 489 593
Total Non-current Provisions	**-**	**2 489 593**

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial position. The provision is calculated in order to finance the rehabilitation cost of each cell on the site reaches 100% capacity. The short term portion of the provision has has bearing to the rehabilitation cost of specific cell that will be closed; within the next 12 months. The landfill sites in operation are Prieska; Marydale and Niekerkshoop.

Landfill Sites	2012 R	2011 R
Balance 1 July	2 489 593	2 304 220
Contribution for the year	270 640	185 373
Total provision 30 June	2 760 233	**2 489 593**
Less: Transfer of Current Portion to Current Provisions - Note 6	(2 760 233)	-
Balance 30 June	**-**	**2 489 593**

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions: **2 489 593**

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Prieska	Marydale	Niekerkshoop
Area (m^2)	36 750	5 060	32 700
Rehabilitation volume (m^3)	8 350	3 270	6 110
Capacity use of excisting cell (%)	23%	65%	19%

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation of cell in use 2012 R
Prieska landfill site is located approximately 600m South East from the town of Prieska	2018	1 242 160
Marydale landfill site is located approximately 500m North of the town of Marydale	2031	230 949
Niekerkshoop landfill site located approximately 600m West of the town of Niekerkshoop	2014	1 287 124
		2 760 233

		2012	2011
4	**CONSUMER DEPOSITS**	**R**	**R**
	Municipal services	483 058	450 198
	Total Consumer Deposits	**483 058**	**450 198**
	Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

5	**CURRENT EMPLOYEE BENEFITS**		
	Current Portion of Post Retirement Benefits - Note 2	252 792	234 024
	Current Portion of Long-Service Provisions - Note 2	386 430	374 776
	Current Portion of Ex gratia Pension Provisions - Note 2	-	70 156
	Provision for Staff Leave	1 821 316	1 126 260
	Staff Bonuses accrued	673 497	529 492
	Provision for TASK Evaluation	416 548	416 548
	Total Current Employee Benefits	**3 550 583**	**2 751 255**
	Balance previously reported		**1 655 751**
	Correction of error - Refer to note 33.2		1 095 503
			2 751 255

The movement in current employee benefits is reconciled as follows:

Provision for Staff Leave		
Balance at beginning of year	1 126 260	613 657
Contribution to current portion	718 917	562 205
Expenditure incurred	(23 861)	(49 603)
Balance at end of year	**1 821 316**	**1 126 260**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued		
Balance at beginning of year	529 492	378 912
Contribution to current portion	1 323 535	959 230
Expenditure incurred	(1 179 530)	(808 651)
Balance at end of year	**673 497**	**529 492**

Bonuses are being paid to all permanent employed municipal staff, including section 57 Managers. The balance at year end; represent to portion of the bonus that have already vested for the current salary cycle.

Provision for TASK Evaluation		
Balance at beginning of year	416 548	-
Contribution to current portion	-	416 548
Expenditure incurred	-	-
Balance at end of year	**416 548**	**416 548**

The results of the job evaluation as per the TASK job evaluation system in terms of clause 7.2.6 of the collective agreement; has been partially paid. All basic salary expenses was paid out but the overtime; standby and other related employee benefits is still outstanding. This will only be paid out during the 2012/2013 financial year as per agreement with the local unions.

6	**PROVISIONS**		
	Current Portion of Rehabilitation of Landfill-sites - Note 3	2 760 233	-
	Total Provisions	**2 760 233**	**-**

		2012	2011
7	**PAYABLES FROM EXCHANGE TRANSACTIONS**	**R**	**R**
	Trade Payables	10 172 044	6 018 147
	Payments received in advance	1 537 170	384 126
	Third party payments (Payroll)	1 392 459	1 437 890
	Dept Transport - Vehicle licensing	62 828	56 264
	Department of Safety - Agency services	371 578	371 578
	Sundry Deposits	3 944	3 944
	Sundry Creditors	40	40
	Other	1 452 692	291
	Total Trade Payables	**14 992 756**	**8 272 280**
	Balance previously reported		**8 416 259**
	Correction of error - Refer to note 33.3		(143 979)
			8 272 280

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value

All payables are unsecured.

Sundry deposits include hall, tender and other general deposits

The Municipality did not default on any of their payables

8	**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**		
	Unspent Grants	2 053 144	1 655 323
	National Government Grants	1 278 926	735 457
	Provincial Government Grants	774 219	870 318
	Other	-	49 547
	Less: Unpaid Grants	265 810	-
	National Government Grants	265 810	-
	Total Conditional Grants and Receipts	**1 787 334**	**1 655 323**

Reconciliation of total grants and receipts

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

9	**TAXES**		
	VAT RECEIVABLE/(PAYABLE)	4 745 526	3 892 045
	Less: Provision for impairment of receivables	(2 247 719)	(2 102 827)
	NET VAT RECEIVABLE/(PAYABLE)	**2 497 806**	**1 789 217**

VAT is receivable/payable on the cash basis.

Balance previously reported		**(587 934)**
Correction of error - Refer to note 33.10		(2 377 152)
		1 789 217
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	2 102 827	1 579 323
Contribution to provision/(Reversal of provision) - Exchange transactions	117 126	504 209
Contribution to provision/(Reversal of provision) - Non-exchange transactions	27 766	19 295
Bad Debts Written Off	-	-
Balance at end of year	**2 247 719**	**2 102 827**

10 PROPERTY, PLANT AND EQUIPMENT

See attached sheets and replace

See attached sheets and replace

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

	2012 R	2011 R
Impairment of property plant and equipment for the yea		
Impairment charges on Property, plant and equipment recognised in statement of financial performanc		
Infrastructure	7 926	-
	7 926	**-**

11 LONG-TERM RECEIVABLES

	2012 R	2011 R
Staff Housing Loans - At amortised cost	107 514	118 929
	107 514	118 929
Less: Current portion transferred to current receivables	(27 972)	(13 115)
	79 542	105 814
Less: Provision for Impairment	(10 544)	-
Total Long Term Receivables	**68 998**	**105 814**
Balance previously reported		101 840
Correction of error - Refer to note 33.4		3 974
		105 814

The carrying amount of these assets approximates their fair value.

STAFF HOUSING LOANS

No new housing loans are granted to officials of the municipality. These housing loans; granted prior to the implementation of the MFMA; is still collectable. Staff members were entitled to housing loans which attract interest between 11.5% and 16% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2023.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	-	-
Contribution to provision/(Reversal of provision)	10 544	-
Bad Debts Written Off	-	-
Balance at end of year	**10 544**	**-**

12 INVENTORY

Maintenance Materials - At cost	306 007	211 465
Water – at cost	12 764	7 635
Total Inventory	**318 771**	**219 100**

The FIFO method was applied. The inventory system is currently manually operated and all calculations of the value for 2012 were performed manually. An implementation plan for a computerised inventory system was developed; the system will be fully operational by the end of June 2013.

No inventory assets were pledged as security for liabilities.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water	**7 635**

13 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2012 R	2011 R
Electricity	1 835 502	1 077 347
Water	9 702 007	8 822 192
Refuse	1 654 491	1 354 789
Sewerage	6 649 224	5 906 516
Rental	28 444	21 647
Other Consumer Debtors	1 086 166	778 037
Sundry Receivables	975 070	911 626
Other Deposits	25 033	23 341
Total Receivables from Exchange Transactions	**21 955 938**	**18 895 494**
Less: Provision for Impairment	(17 641 456)	(16 509 066)
Total Net Receivables from Exchange Transactions	**4 314 481**	**2 386 429**
Balance previously reported		**1 825 196**
Correction of error - Refer to note 33.6		561 232
		2 386 429

Consumer debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. The outstanding consumer accounts are secured by the consumer deposits paid only.

Ageing of Receivables from Exchange Transactions	2012 R	2011 R
(Electricity): Ageing		
Current (0 - 30 days)	1 028 147	722 457
31 - 60 Days	114 728	72 655
61 - 90 Days	94 378	44 983
+ 90 Days	465 365	237 252
Total	**1 702 618**	**1 077 347**
(Water): Ageing		
Current (0 - 30 days)	1 253 165	282 343
31 - 60 Days	229 540	171 276
61 - 90 Days	246 157	162 674
+ 90 Days	7 891 550	8 205 900
Total	**9 620 412**	**8 822 192**
(Refuse): Ageing		
Current (0 - 30 days)	129 425	79 732
31 - 60 Days	38 225	43 394
61 - 90 Days	35 855	34 633
+ 90 Days	1 433 842	1 197 030
Total	**1 637 347**	**1 354 789**
(Sewerage): Ageing		
Current (0 - 30 days)	332 103	264 291
31 - 60 Days	93 003	160 321
61 - 90 Days	85 496	139 609
+ 90 Days	6 116 543	5 342 294
Total	**6 627 144**	**5 906 516**
(Rental): Ageing		
Current (0 - 30 days)	5 413	4 048
31 - 60 Days	505	714
61 - 90 Days	505	476
+ 90 Days	21 842	16 409
Total	**28 265**	**21 647**
(Other billing debtors): Ageing		
Current (0 - 30 days)	102 576	78 121
31 - 60 Days	44 565	51 598
61 - 90 Days	44 283	24 814
+ 90 Days	884 438	623 503
Total	**1 075 862**	**778 037**
(Total): Ageing		
Current (0 - 30 days)	2 850 828	1 430 993
31 - 60 Days	520 566	499 957
61 - 90 Days	506 674	407 189
+ 90 Days	16 813 580	15 622 388
Total	**20 691 648**	**17 960 527**

13 RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continue)

Reconciliation of Provision for Bad Debts	**2012 R**	**2011 R**
Balance at beginning of year	16 509 066	12 625 391
Contribution to provision/(Reversal of provision)	1 132 390	3 883 675
Bad Debts Written Off	-	-
Balance at end of year	**17 641 456**	**16 509 066**
The Provision for Impairment could be allocated between the different classes of receivables as follows		
Electricity	448 386	230 401
Water	8 507 271	8 643 321
Refuse	1 529 888	1 308 794
Sewerage	6 235 619	5 665 688
Other	920 292	660 863
	17 641 456	**16 509 066**

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

14 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	**2012 R**	**2011 R**
Rates	9 978 443	8 221 631
Other Receivables	1 871 285	1 602 509
Availability charges	887 672	646 712
Building clauses	22 216	14 997
Other debtors	62 088	52 158
Pixley Ka Seme District Municipality	9 067	9 067
Receivables sundry	883 349	867 627
Other	6 894	11 948
Total Receivables from Non-Exchange Transactions	**11 849 728**	**9 824 140**
Less: Provision for Impairment	(9 817 332)	(8 599 185)
Total Net Receivables from Non-Exchange Transactions	**2 032 396**	**1 224 955**
Balance previously reported		**959 755**
Correction of error - Refer to note		265 201
		1 224 955

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing		
Current (0 - 30 days)	501 581	326 590
31 - 60 Days	135 968	163 020
61 - 90 Days	131 114	153 944
+ 90 Days	9 021 192	7 578 077
Total	**9 789 856**	**8 221 631**
(Other billing debtors): Ageing		
Current (0 - 30 days)	51 957	25 250
31 - 60 Days	23 577	21 726
61 - 90 Days	23 181	24 437
+ 90 Days	871 430	642 454
Total	**970 144**	**713 868**
(Total): Ageing		
Current (0 - 30 days)	553 538	351 840
31 - 60 Days	159 545	184 746
61 - 90 Days	154 295	178 381
+ 90 Days	9 892 622	8 220 532
Total	**10 760 000**	**8 935 499**

14	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continue)	2012 R	2011 R
	Reconciliation of Provision for Impairment		
	Balance at beginning of year	8 599 185	7 528 673
	Contribution to provision/(Reversal of provision)	1 218 147	1 070 512
	Bad Debts Written Off	-	-
	Balance at end of year	**9 817 332**	**8 599 185**
	The provision for impairment could be allocated between the different classes of receivables as follows		
	Property rates	8 877 387	7 904 367
	Other	939 945	694 818
		9 817 332	**8 599 185**

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor (Asset)		
	Balance on 1 July	14 991	8 628
	Movement during the year	2 558	6 363
	Balance on 30 June	**17 549**	**14 991**
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	95 454	89 855
	1 to 5 Years	159 247	243 725
	More than 5 Years	37 566	48 542
	Total Operating Lease Arrangements	**292 267**	**382 121**
	Balance previously reported		**8 492**
	Correction of error - Refer to note 33.8		6 499
			14 991

This lease income was determined from contracts that have a specific conditional income. It does not include lease income which has a undetermined conditional income.

The municipality does not engage in any sub-lease arrangements

The municipality did not receive any contingent rent during the yea

The leases are in respect of land and buildings being leased out for periods ranging until 2020

16	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	2 049 682	754 950
	Cash Floats	800	800
	Total Cash and Cash Equivalents - Assets	**2 050 482**	**755 750**
	Liabilities		
	Primary Bank Account	726 421	578 986
	Total Cash and Cash Equivalents - Liabilities	**726 421**	**578 986**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality do not have a bank overdraft facility with ABSA as at 30 June 2012.

16 CASH AND CASH EQUIVALENTS (Continue)

The municipality has the following bank accounts:

	2012 R	2011 R
Current Accounts		
Primary Bank account	(726 421)	(578 986)
	(726 421)	**(578 986)**
Primary Bank account Prieska ABSA - Account Number 40-5355-2997		
Cash book balance at beginning of year	(578 986)	(571 962)
Cash book balance at end of year	(726 421)	(578 986)
Bank statement balance at beginning of year	(477 645)	(568 012)
Bank statement balance at end of year	(328 404)	(477 645)
Call Investment Deposits		
Call investment deposits consist of the following accounts:		
ABSA Account Number/s: 92-0404-6778 & 92-4849-1222	2 049 682	754 950
	2 049 682	**754 950**

17 PROPERTY RATES

Actual

Rateable Land and Buildings	4 687 033	6 246 033
Residential, Commercial Property, State	4 948 793	5 729 124
Agricultural	(261 761)	516 909
Less: Rebates	-	(1 376 344)
Total Assessment Rates	**4 687 033**	**4 869 689**

Valuations

Rateable Land and Buildings:		
Residential	160 332 000	164 484 600
Agricultural	431 785 000	1 189 250 065
Government	33 561 000	33 559 000
Business & Commercial	37 843 300	33 804 000
Municipal & Exempt Properties	43 134 300	43 262 300
Total Assessment Rates	**706 655 600**	**1 464 359 965**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

Rates:		
Residential	0.02195	0.02066
Commercial & Industrial	0.02853	0.02667
Government	0.04389	0.04133
Public Sector Infrastructure	0.00549	0.00517
Agricultural	0.00048	0.00045

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

18	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	**17 829 000**	**15 440 466**
	Equitable Share	17 829 000	15 440 466
	Conditional Grants	**20 334 921**	**16 643 148**
	Grants and donations	20 334 921	16 643 148
	Subsidies	-	-
	Total Government Grants and Subsidies	**38 163 921**	**32 083 614**
	Government Grants and Subsidies - Capital	16 102 694	13 819 075
	Government Grants and Subsidies - Operating	22 338 988	18 264 539
		38 441 682	**32 083 614**
	Balance previously reported		**32 083 614**
	Correction of error - Refer to note 33.8		-
			32 083 614
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	17 829 000	15 440 466
	Budget & Treasury	1 950 937	1 950 000
	Community and Social Services	580 000	360 000
	Planning and Development	10 246 000	8 336 360
	Road Transport	1 701 291	5 652 150
	Water	5 856 694	344 638
		38 163 921	**32 083 614**
	The municipality does not expect any significant changes to the level of grants		
18.1	**Equitable share**		
	Opening balance	-	-
	Grants received	17 829 000	15 440 466
	Conditions met - Operating	(17 829 000)	(15 440 466)
	Conditions met - Capital	-	-
	Conditions still to be met	**-**	**-**
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
18.2	**Financial Management Grant (FMG)**		
	Opening balance	-	-
	Grants received	1 450 000	1 200 000
	Conditions met - Operating	(1 160 937)	(1 200 000)
	Conditions met - Capital	-	-
	Conditions still to be met	**289 063**	**-**
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
18.3	**Municipal Systems Improvement Grant**		
	Opening balance	-	-
	Grants received	790 000	750 000
	Conditions met - Operating	(790 000)	(750 000)
	Conditions met - Capital	-	-
	Conditions still to be met	**-**	**-**
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		

		2012	2011
18	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)**	**R**	**R**
18.4	**Municipal Infrastructure Grant (MIG)**		
	Opening balance	735 457	3 376 382
	Grants received	10 246 000	5 526 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(10 246 000)	(8 166 925)
	Conditions still to be met	**735 457**	**735 457**
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
18.5	**Housing Grant**		
	Opening balance	349 669	-
	Grants received	-	519 104
	Conditions met - Operating	-	(169 436)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	**349 669**	**349 669**
	Housing grants was utilised for the development of even; erection of top structures and the installing of basic service infrastracture; for example Water; Streets and Sewerage.		
18.6	**Integrated National Electrification Grant**		
	Opening balance	-	-
	Grants received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	**-**	**-**
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas		
18.7	**Other Grants**		
	Opening balance	570 197	49 547
	Grants received	8 258 693	22 317 904
	Conditions met - Operating	(2 559 052)	(16 145 104)
	Conditions met - Capital	(5 856 694)	(5 652 150)
	Conditions still to be met	**413 145**	**570 197**
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
18.8	**Total Grants**		
	Opening balance	1 655 323	3 425 929
	Grants received	38 573 694	45 753 474
	Conditions met - Operating	(22 338 988)	(33 705 005)
	Conditions met - Capital	(16 102 694)	(13 819 075)
	Conditions still to be met/(Grant expenditure to be recovered)	**1 787 334**	**1 655 323**
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	2 053 144	1 655 323
	Unpaid Conditional Government Grants and Receipts	(265 810)	-
		1 787 334	**1 655 323**
19	**OTHER REVENUE**		
	Reversal of Debt impairment	-	158 068
	Sundry revenue	35 496	-
	Total Other Income	**35 496**	**158 068**
	Sundry revenue represents revenue from non exchange such as SETA revenue and taxes for items not included elsewhere.		

20 SERVICE CHARGES	2012 R	2011 R
Electricity	10 026 571	8 324 146
Water	4 957 107	6 681 933
Refuse removal	1 525 065	1 368 891
Sewerage and Sanitation Charges	4 677 967	4 384 260
	21 186 710	20 759 230
Less: Rebates	(5 324 854)	(3 834 115)
Total Service Charges	**15 861 856**	**16 925 115**
Balance previously reported		**16 854 636**
Correction of error - Refer to note 33.9		70 478
		16 925 115

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21 OTHER INCOME		
Administration Fees	36 124	79 764
Building Plan Fees	11 380	21 139
Charges for installation	56 637	168 221
Charges for re-installation	59 285	16 970
Garden refuse and Garbage	39 072	34 595
Interest - Longterm receivables	15 527	4 535
Reversal of Debt impairment	121 244	572 746
Sand sales	914	2 626
Tombfees	25 792	20 376
Unknown Receipts	(103 681)	152 964
Valuation Certificate	18 932	5 669
Sundry Income	47 276	108 193
Total Other Income	**328 501**	**1 187 799**

Sundry income represents sundry income such as cleaning of sites, private work and

22 EMPLOYEE RELATED COSTS	2012 R	2011 R
Salaries and Wages	15 952 272	11 665 694
Annual bonus	2 039 216	1 778 078
Bargaining Council Levy	22 482	13 141
Contributions for UIF, pensions and medical aids	3 198 874	83 067
Housing Subsidy	78 623	-
Leave Contribution	3 236	4 352 148
Long service awards	315 683	305 948
Overtime	1 172 764	927 355
Post Employment Health	389 442	360 465
Travel, motor car, telephone, assistance and other allowances	1 280 920	1 907 566
	24 453 512	21 393 462
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	**24 453 512**	**21 393 462**

KEY MANAGEMENT PERSONNEL

The Municipal Manager was appointed on a 5-year fixed term contract but resigned 30 April 2012. The Chief Financial officer was appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period. It should be noted that the Manager Technical services are appointed with a permanent contract. Therefore Council will be liable for post-employment benefits as well as termination benefits in the case of the Manager Technical Services.

22 EMPLOYEE RELATED COSTS (Continue)

REMUNERATION OF KEY MANAGEMENT PERSONNEL	2012 R	2011 R
Remuneration of the Municipal Manager		
Annual Remuneration	522 300	498 041
Car Allowance	144 146	144 146
Annual Bonus	40 409	40 409
Telephone allowance	12 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	188 973	134 295
Additional travel	54 890	50 338
Total	**962 717**	**879 229**
Remuneration of the Manager Technical Services		
Annual Remuneration	378 000	356 188
Car Allowance	91 200	90 000
Annual Bonus	31 500	29 000
Telephone allowance	4 620	4 620
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	142 872	77 665
Additional travel	18 662	12 883
Total	**666 854**	**570 356**
Remuneration of the Director Financial Services		
Annual Remuneration	560 040	484 648
Car Allowance	84 000	84 000
Annual Bonus	46 670	33 000
Telephone allowance	9 000	9 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	61 680	31 183
Additional travel	87 142	154 108
Total	**848 532**	**795 939**

23 REMUNERATION OF COUNCILLORS

Speaker	521 631	426 844
Councillors	1 299 807	1 046 750
Total Councillors' Remuneration	**1 821 438**	**1 473 593**

In-kind Benefits

The Speaker is full-time and all the committee members are part-time. The Speaker are provided with secretarial support and an office at the cost of the Council.

24 DEBT IMPAIRMENT

Long term Receivables - Note 11	10 544	-
Trade Receivables from exchange transactions - Note 13	1 136 509	3 952 212
Trade Receivables from non-exchange transactions - Note 14	1 190 381	1 209 285
Total Contribution to Debt Impairment	**2 337 434**	**5 161 497**

25 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	9 181 751	9 305 120
Capitalised Restoration Cost	-	-
Investment Property	-	-
Intangible Assets	-	-
	9 181 751	**9 305 120**

26 IMPAIRMENTS

Property Plant & Equipment	7 926	-
	7 926	**-**

		2012	2011
27	**FINANCE CHARGES**	**R**	**R**
	Bank Overdraft	-	5 555
	Creditors	3 023	22
	Ex-gratia pension	104 884	110 287
	Finance leases	42 787	-
	Long service awards	226 352	215 924
	Long-term Liabilities	40 069	1 269
	Post Employment Health	653 248	598 842
	Total finance charges	**1 070 363**	**931 899**
	Balance previously reported		**6 846**
	Correction of error - Refer to note 33.1		925 053
			931 899
28	**BULK PURCHASES**		
	Electricity	8 774 981	6 398 318
	Water	670 560	99 819
	Total Bulk Purchases	**9 445 542**	**6 498 136**
29	**GRANTS AND SUBSIDIES**		
	Donations	8 060	3 055
	Funerals	(1 800)	19 914
	Other	-	78 320
	Total Grants and Subsidies	**6 260**	**101 289**
30	**OPERATING GRANT EXPENDITURE**		
	Operating grant expenditure per Municipal vote		
	Budget & Treasury	1 779 334	2 517 201
	Community and Social Services	66 432	-
	Executive & Council	743 211	62 434
	Planning and Development	177 421	-0
	Road Transport	930 298	-0
	Water	2 413 512	205 365
	Total Operating grant expenditure	**6 179 055**	**2 785 000**
31	**GENERAL EXPENSES**		
	Adverts, Copies and Stationary	394 840	1 362 894
	Affiliation fees	197 428	2 125
	Audit Fees	1 446 732	2 050 877
	Bank Charges	141 076	99 455
	Contracted services	588 925	88 965
	Contribution: Restoration cost landfill sites	270 640	185 373
	Insurance	989 736	754 004
	IT related expenditure	218 120	53 450
	Legal Cost	8 640	36 483
	Professional Fees	249 294	961
	Rental of Equipment	49 778	188 326
	Services	(0)	224 493
	Stipend Ward Committee	34 181	312 227
	Telephone	648 674	583 506
	Training	54 160	215 614
	Travel and Subsistence	514 999	733 296
	Uniforms and Overalls	143 990	277 964
	Other	326 610	611 625
	General Expenses	**6 277 824**	**7 781 638**
	Balance previously reported		**7 446 801**
	Correction of error - Refer to note 33.9		334 837
			7 781 638

		2011 R
32	**CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3**	
32.1	**NON-CURRENT PROVISIONS**	
	Balance previously reported	
	First time implementation of Landfill site provision - Refer to note 3	2 489 593
		2 489 593

First time implementation of Landfill site provision for the 3 sites in operation.

33 CORRECTION OF ERROR IN TERMS OF GRAP 3

FINANCIAL POSITION

		2011 R
33.1	**EMPLOYEE BENEFITS**	
	Balance previously reported	**19 520**
	Correction of Employee benefits - Refer to note 2	11 305 851
		11 325 371

Correct implementation of post retirement benefits; long service awards and ex-gratia pension based on actuarial reports. In the past the in year cost was directly allocated to the Statement of Financial performance.

33.2	**CURRENT EMPLOYEE BENEFITS**	
	Balance previously reported	**1 655 751**
	Creation of Task provision - Refer to note 5	416 548
	Current portion of Post Retirement Provision - Refer to note 5	234 024
	Current portion of Long Service Awards Provision - Refer to note 5	374 776
	Current portion of Ex-gratia Pension Provision - Refer to note 5	70 156
		2 751 255

The implementation of non-current employee benefits such as post retirement benefits for continued medical aid; long service awards; ex-gratia pension and the provision for the implementation of Task.

33.3	**PAYABLES FROM EXCHANGE TRANSACTIONS**	
	Balance previously reported	**8 416 259**
	Recognition of Payments received in advance - Refer to note 7	384 126
	Correcting the third party payment balance - Refer to note 7	380 948
	Reclassification - Refer to note 7	(909 053)
		8 272 280

The payments received in advance were not taken out of the receivable in the past. The payments of third parties were in correctly allocated.

		2011 R
33.4	**LONG-TERM RECEIVABLES**	
	Balance previously reported	**101 840**
	Correcting opening balances 1 July 2010 - Refer to note 11	(1 156)
	Recognition of Interest of Kapater account - Refer to note 11	5 130
		105 814

Correcting the opening balances to be reconciling with the amortisation tables. The recognition of the interest on the housing loan of the retired employee Mr. Kapater

33.5	**INVENTORY**	
	Balance previously reported	**211 465**
	First time measurement of water inventory - Refer to note 12	7 635
		219 100

33 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Conitnue)

33.6 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	**1 825 196**
Move of payments received in advance to Payables - Refer to note 13	264 187
Correction of impairment provision due to VAT portion - Refer to note 13	297 046
	2 386 429

Correcting the impairment provision in order to recognise impairment on taxes separately and deduct it from the VAT payables as well as correcting classification of Payments received in advance

33.7 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Balance previously reported	**959 755**
Move of payments received in advance to Payables - Refer to note 14	190 418
Correction of impairment provision due to VAT portion - Refer to note 14	74 783
	1 224 955

Correcting the impairment provision in order to recognise impairment on taxes separately and deduct it from the VAT payables as well as correcting classification of Payments received in advance

33.8 OPERATING LEASE ARRANGEMENTS

Balance previously reported	**8 492**
Correction of prior year calculations - Refer to note 15	6 499
	14 991

33.9 CASH AND CASH EQUIVALENTS

Balance previously reported	**754 587**
Correcting cashier floats - Refer to note 16	800
Correcting investment balance - Refer to note 16	(71)
Reclassification - Refer to note 16	1 891
	755 750

33.10 TAXES

Balance previously reported	**(587 934)**
Correcting Output VAT on transactions - Note	274 324
Debt impairment for 2010/2011 - Refer to Statement of Financial Performance and note	523 504
Debt impairment for prior periods - Refer to Statement of Changes in Net Assets and note	1 579 323
Balance of Taxes - Current Liabilities	**1 789 217**

The VAT portion on the impairment of exchange and non-exchange receivables were treated in the past as an expenditure item in the position of financial performance. The rest is VAT correcting transaction related to other correction of error notes.

33 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)

33.11 STATEMENT OF FINANCIAL POSITION

	R
REVENUE PREVIOUSLY REPORTED	**55 076 792**
Actuarial gains	99 408
An actuarial gain was recognised in the statement of financial performance based on the post retirement benefits.	
Other revenue	158 068
Reversal of debt impairment	
Service charges	70 478
Electricity sales	
Rental of facilities and equipment	196 866
Relates to the operating lease register entries	
Interest earned - external investments	71
Relates to call deposits	
Licences and permits	2 097 051
Reclassification of accounts	
Agency services	(1 612 641)
Recognition of vehicle licensing in correct period and reclassification of accounts	
Other income	613 395
Recognition the debt impairment reversal and the correction of long-term receivables.	
	56 699 489

	R
EXPENDITURE PREVIOUSLY REPORTED	**58 652 700**
Employee related costs	675 667
With the correcting of post retirement benefits, Long service awards and Ex -gratia pension based on an actuarial report the in year pay-outs was reversed; the required contribution and finance charges was recognised in the statement of financial performance. The recognition of current employee benefits pay-outs were accounted for directly in the statement of financial position; whereas the physical pay-outs should have been recorded to the provisions and the necessary contributions should have been recorded in the statement of financial performance.	
Remuneration of councillors	(249 752)
The expenditure of continued medical contribution in respect of retired persons was incorrectly classified as remuneration of Councillors.	
Debt impairment	(1 445 419)
The recalculation of the impairment provision was performed in order to be able determine the impairment of VAT and reclassify/recognise it as a deduction under VAT payables.	
Bulk purchases	(744 625)
Recognition of bulk purchases in the correct period	
Repairs and maintenance	(126 694)
The recognition of water inventory required the cost of sales to be adjusted.	
Actuarial losses	306 275
The correcting of long service awards and ex -gratia pension; based on an actuarial report; an actuarial loss was recognised.	
Finance charges	925 053
The correcting of post retirement benefits, Long service awards and Ex -gratia pension; based on an actuarial report; required finance charges to be recognised against the statement of financial performance.	
General expenses	334 837
The implementation of the Landfill site required a contribution; apart from this the rest relates to reclassification of expenditure line items	
	58 328 043

33.12 STATEMENT OF CHANGES IN NETT ASSETS

Balance previously reported	**248 227 721**
Cash and Cash Equivalents	800
Consumer deposits	(109 312)
Employee Benefits	(11 229 715)
Inventory	6 800
Long-term Receivables	2 062
Non-current Provisions	(2 304 220)
Operating Lease Arrangements	(2 042)
Payables from Exchange Transactions	(243 576)
Receivables from Exchange Transactions	(12 625 391)
Receivables from Non-exchange Transactions	11 344 490
Taxes	1 579 323
	234 646 940

		2012	2011
34	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH**	**R**	**R**
	Surplus/(Deficit) for the year	(1 091 335)	(1 628 555)
	Adjustments for:		
	Depreciation/Amortisation	9 181 751	9 305 120
	(Gains) on disposal of property, plant and equipment	-	(13 162)
	Impairment Loss	7 926	-
	Contributions to Non-Current Provisions	975 765	851 786
	Debt Impairment	2 361 082	4 954 186
	Actuarial Losses	729 798	206 867
	Impairment written off	7 926	-
	Finance charges	984 484	925 053
	Grants Received	38 573 694	45 753 474
	Grant Expenditure	(38 441 682)	(47 524 080)
	Operating lease income accrued	(2 558)	(6 363)
	Operating Surplus/(Deficit) before changes in working capita	13 286 849	12 824 326
	Changes in working capital	970 460	26 276 783
	Increase/(Decrease) in Payables from exchange transactions	6 720 476	4 917 601
	Increase/(Decrease) in Employee benefits	144 276	36 489
	Increase/(Decrease) in Taxes	(708 589)	(209 894)
	(Increase)/Decrease in Inventory	(99 671)	(61 478)
	(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(5 086 031)	21 594 066
	Cash generated/(absorbed) by operations	**14 257 309**	**39 101 110**
35	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 16	2 049 682	754 950
	Cash Floats - Note 16	800	800
	Bank overdraft - Note 16	(726 421)	(578 986)
	Total cash and cash equivalents	**1 324 061**	**176 764**
36	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 35	1 324 061	176 764
		1 324 061	176 764
	Less:	2 053 144	1 655 323
	Unspent Committed Conditional Grants - Note 8	2 053 144	1 655 323
	VAT - Note 9	-	-
	Resources available for working capital requirements	**(729 083)**	**(1 478 559)**
	Allocated to:		
	Capital Replacement Reserve	-	-
	Employee Benefits Reserve	16 640 308	14 076 626
	Non-Current Provisions Reserve	-	2 489 593
	Resources available for working capital requirements	**(17 369 391)**	**(18 044 777)**
37	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 1	2 510 694	350 234
	Used to finance property, plant and equipment - at cost	(2 510 694)	(350 234)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	**-**	**-**
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

38 BUDGET COMPARISONS

38.1

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Operational				
Revenue by source				
Property Rates	4 687 033	5 700 000	(1 012 967)	-18%
Government Grants and Subsidies - Capital	16 102 694	-	16 102 694	100%
Government Grants and Subsidies - Operating	22 338 988	35 774 035	(13 435 047)	-38%
Public Contributions and Donations	25 750	6 500	19 250	296%
Fines	65 159	92 000	(26 841)	-29%
Other Revenue	35 496	36 000	(504)	-1%
Service Charges	15 861 856	21 008 055	(5 146 199)	-24%
Rental of Facilities and Equipment	706 564	795 000	(88 436)	-11%
Interest Earned - external investments	186 269	115 000	71 269	62%
Interest Earned - outstanding debtors	1 320 090	1 500 000	(179 910)	-12%
Licences and Permits	561	16 254	(15 693)	-97%
Agency Services	1 126 540	1 086 496	40 044	4%
Other Income	328 501	3 890 184	(3 561 683)	-92%
	62 785 501	70 019 524	(7 234 023)	-10%
Expenditure by nature				
Employee related costs	24 453 512	24 822 217	368 705	-1%
Remuneration of Councillors	1 821 438	1 902 007	80 569	-4%
Debt Impairment	2 337 434	800 000	(1 537 434)	192%
Depreciation and Amortisation	9 181 751	150 000	(9 031 751)	6021%
Repairs and Maintenance	2 365 934	3 226 000	860 066	-27%
Actuarial losses	729 798	-	(729 798)	-100%
Finance Charges	1 070 363	107 044	(963 319)	900%
Bulk Purchases	9 445 542	11 073 008	1 627 466	-15%
Grants and Subsidies	6 260	10 000	3 740	-37%
Operating Grant Expenditure	6 179 055	18 936 035	12 756 980	-67%
General Expenses	6 277 824	8 993 213	2 715 389	-30%
	63 876 836	70 019 524	6 142 688	-9%
Net Surplus for the year	**(1 091 335)**	**(0)**	**(1 091 335)**	

The budget amount above differs from the approved adjustment budget due to the following

1. Interdepartmental charges for municipal services included as a expenditure R 1,493,523; and
2. Revenue forgone was included as a expenditure line item whilst it should have been deducted from revenue R 5,800,000.

Apart from above variances the capital budget amount of R 16,825,000 was included as operational expenditure line items in the adjustment budget; this whilst the approved capital budget by GFS; Funding sources and Vote do not balance as per schedule A5 of the budget schedules submitted

38.2

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Expenditure by Vote				
Budget & Treasury	18 084 520	9 439 000	8 645 520	92%
Community and Social Services	1 158 989	1 795 350	(636 361)	-35%
Corporate Services	1 417 998	1 352 975	65 023	5%
Electricity	9 397 781	12 100 412	(2 702 630)	-22%
Executive & Council	10 433 434	10 388 372	45 062	0%
Health	6 975	10 000	(3 025)	-30%
Planning and Development	6 996 410	18 558 289	(11 561 879)	-62%
Public Safety	569	6 000	(5 431)	-91%
Road Transport	2 494 304	2 719 826	(225 522)	-8%
Waste Management	2 953 178	2 778 000	175 178	6%
Waste Water Management	3 845 289	3 425 000	420 289	12%
Water	7 087 389	7 446 300	(358 911)	-5%
	63 876 836	**70 019 524**	**(6 142 688)**	**-9%**

Refer to note 38.1 for an explanation of the variances between the approved adjustment budget and the budget amounts as disclosed above.

The over expenditure on the votes can best be described as follow

Budget & Treasury – Due to depreciation charges
Corporate services – Due to annual bonus and finance charges of post retirement benefits
Executive & Council – Due to debt impairment
Waste Management – Due to landfill site restoration cost
Waste Water Management – Due to debt impairment and annual bonus

38 BUDGET COMPARISONS (CONTINUED)

38.3

Capital expenditure by vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Budget & Treasury	6 022	-	6 022	100%
Community and Social Services	5 769 064	-	5 769 064	100%
Electricity	736 297	2 912 135	(2 175 838)	-75%
Executive & Council	94 334	-	94 334	100%
Planning and Development	-	3 846 000	(3 846 000)	-100%
Road Transport	3 567 432	1 876 444	1 690 988	90%
Waste Management	-	194 360	(194 360)	-100%
Waste Water Management	1 100 716	-	1 100 716	100%
Water	4 032 955	2 035 948	1 997 006	98%
	15 306 821	**10 864 888**	**4 441 933**	**41%**

Refer to note 38.1 for an explanation of the variances between the approved adjustment budget and the budget amounts as disclosed above.

The over expenditure on the votes can best be explained as the way the whole budget was originally compiled. The budget structure will be amended with the adjustment budget of 2012/2013 in order to avoid future unauthorised expenditure of a similar nature. The new lease and hire purchase agreements are the major contributor to the unauthorised expenditure.

39 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure

	2011 R	2010 R
Opening balance	33 511 219	12 227 949
Unauthorised expenditure for the year - capita	10 658 132	21 283 270
Unauthorised expenditure for the year - operating	9 351 071	
Written off by council	-	
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	**53 520 421**	**33 511 219**

For an explanation of the unauthorised expenditure on the votes refer to notes 38.2 and 38.3

Incident	Disciplinary steps/criminal proceedings
Over expenditure on approved operational and capital budget.	*None*

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2011 R	2010 R
Opening balance	922 400	420 582
Fruitless and wasteful expenditure the year	3 023	501 818
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	**925 423**	**922 400**

Incident	Disciplinary steps/criminal proceedings		
Fruitless prior years	None	-	420 582
Interest was paid over to SARS and the Auditor General due to late payments.	None	-	81 236
Interest on creditor accounts	*None*	3 023	-
		3 023	501 818

39.3 Irregular expenditure

Reconciliation of irregular expenditure

	2011 R	2010 R
Opening balance	15 501 699	5 113 322
Irregular expenditure for the year	13 377 897	10 388 377
Written off by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	**28 879 596**	**15 501 699**

Incident	Disciplinary steps/criminal proceedings		
Supply Chain procedures not followed 2009/2010	*None*		5 113 322
Supply Chain procedures not followed 2010/2011	*None*		10 388 377
Supply Chain procedures not followed 2011/2012	*Report to Council; no actions/decisions taken*	13 377 897	-
		13 377 897	**15 501 699**

		2012	2011
40	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**	**R**	**R**
40.1	**Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**		
	Opening balance	-	-
	Council subscriptions	210 500	100 000
	Amount paid - current year	(210 500)	(100 000)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	**-**	**-**
40.2	**Audit fees - [MFMA 125 (1)(c)]**		
	Opening balance	1 769 676	1 603 054
	Current year audit fee	1 645 617	866 622
	External Audit - Auditor-General	1 645 617	866 622
	Audit Committee	-	-
	Amount paid - current year	-	(700 000)
	Amount paid - previous year	(200 000)	-
	Balance unpaid (included in creditors)	**3 215 293**	**1 769 676**
40.3	**PAYE, SDL and UIF - [MFMA 125 (1)(c)]**		
	Opening balance	138 808	138 808
	Current year payroll deductions and Council Contributions	3 201 266	2 151 028
	Amount paid - current year	(3 204 433)	(2 151 028)
	Balance unpaid (included in creditors)	**135 641**	**138 808**
40.4	**Pension and Medical Aid Deductions - [MFMA 125 (1)(c)**		
	Opening balance	31 477	-
	Current year payroll deductions and Council Contributions	4 825 381	3 328 302
	Amount paid - current year	(4 856 858)	(3 296 825)
	Balance unpaid (included in creditors)	**-**	**31 477**

40.5 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June:

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
Councillor P. Papier	-	10 879
Councillor G. Mcdonald	6 587	7 323
Councillor E. Martin	-	5 107
Councillor J. Malepo	8 522	9 012
Councillor B.A Titus	-	1 726
Total Councillor Arrear Consumer Accounts	**15 108**	**34 047**

40.6 Disclosers in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations any deviations approved by the Accounting Officer in terms of Regulation 36 (1)(a) and (b

None

Regulation 45 - Details of awards made to close family members of persons in service of State

None

Regulation 45 - Details of awards made to persons who has been in the service of the State during the previous 12 months

None

40.7 Other non-compliance (MFMA 125(2)(e))

Non-compliance to the Supply Chain Management Regulations were identified in terms of

None

Other non-compliance issues were identified as detailed below:

Requirement	Relevant Legislation	Non-compliance
The Accounting officer must promptly inform the Mayor; the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.	MFMA Sec. 34 (4) (a)	Did not inform the required authorities
The monthly budget statement must comply with the requirements of the MFMA.	MFMA Sec. 71(2)	The monthly budget statements submitted do not comply with the legislative requirements.
The Municipality must prepare and submit the financial statements within two months after the financial year end.	MFMA Sec. 126(1)	The financial statements of 30 June 2011 was not submitted within the timeframes.

41 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality did not engage in one foreign currency transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2010 - 0.5%) Increase in interest rates	(11 874)	(871)
0.5% (2010 - 0.5%) Decrease in interest rates	5 937	871

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are assessed on individual debtors basis. The accounts are then impaired on a individual basis based on the risk profile/credit quality associated with that individual account.

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

41 FINANCIAL RISK MANAGEMENT (Continue)

Balances past due not impaired:

	2011 %	2011 R	2010 %	2010 R
Non-Exchange Receivables				
Rates and other receivables	100.00%	2 032 396	100.00%	1 224 955
Exchange Receivables				
Electricity	8.36%	360 688	5.70%	136 065
Water	44.19%	1 906 506	46.69%	1 114 209
Refuse	7.54%	325 118	7.17%	171 105
Sewerage	30.28%	1 306 615	31.26%	745 970
Other	9.63%	415 554	9.18%	219 080
	100.00%	4 314 481	100.00%	2 386 429

No receivables are pledged as security for financial liabilities

Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
Non-Exchange Receivables				
Rates and other receivables	100.00%	9 817 332	100.00%	8 599 185
Exchange Receivables				
Electricity	8.36%	1 474 814	5.70%	941 282
Water	44.19%	7 795 501	46.69%	7 707 983
Refuse	7.54%	1 329 373	7.17%	1 183 684
Sewerage	30.28%	5 342 610	31.26%	5 160 546
Other	9.63%	1 699 158	9.18%	1 515 571
	100.00%	17 641 456	100%	16 509 066

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 1 750 000 were held as security for the overdraft facility at ABSA. The Municipality has no exposure to non-current investments

The bank utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows	2012 R	2011 R
Long term receivables	96 970	118 929
Receivables from exchange transactions	4 314 481	2 386 429
Receivables from non-exchange transactions	1 871 285	1 602 509
Cash and Cash Equivalents	2 050 482	755 750
Unpaid conditional grants and subsidies	265 810	-
	8 599 028	**4 863 616**

41 FINANCIAL RISK MANAGEMENT (Continue)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Finance Lease Liability	103 753	256 530	-	-
Capital repayments	68 667	222 810	-	-
Interest	35 086	33 720	-	-
Long Term liabilities - Hire purchase Liability	448 036	1 792 143	801 929	-
Capital repayments	245 452	1 231 535	730 906	-
Interest	202 584	560 608	71 024	-
Provisions - Landfill Sites	2 760 233	-	-	-
Capital repayments	2 760 233			
Trade and Other Payables	11 624 777	-	-	-
Unspent conditional government grants and receipts	2 053 144	-	-	-
Cash and Cash Equivalents	726 421			
	17 268 328	256 530	-	-

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities - Finance Lease Liability	90 220	103 753	256 530	-
Capital repayments	47 433	68 667	222 810	-
Interest	42 787	35 086	33 720	-
Long Term liabilities - Hire Purchase Liability	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments	-			
Trade and Other Payables	6 018 478	-	-	-
Unspent conditional government grants and receipts	1 655 323	-	-	-
Cash and Cash Equivalents	578 986			
	8 343 007	103 753	256 530	-

			2012 R	2011 R
42	**FINANCIAL INSTRUMENTS**			
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
42.1	**Financial Assets**	**Classification**		
	Long-term Receivables			
	Housing Loans - At amortised cost		107 514	118 929
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	4 314 481	2 386 429
	Receivables from non-exchange transactions	Financial instruments at amortised cost	1 871 285	1 602 509
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	265 810	-
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	2 049 682	754 950
	Bank Balances and Cash			
	Cash Floats and Advances	Financial instruments at amortised cost	800	800
			8 609 572	**4 863 616**
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		8 609 572	4 863 616
	At amortised cost		**8 609 572**	**4 863 616**
42.2	**Financial Liability**	**Classification**		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	-	-
	Capitalised Lease Liability	Financial instruments at amortised cost	234 134	302 801
	Hire Purchase	Financial instruments at amortised cost	1 962 441	-
	Payables from exchange transactions			
	Trade Payables	Financial instruments at amortised cost	10 172 044	6 018 147
	Payments received in advance	Financial instruments at amortised cost	1 537 170	384 126
	Sundry Deposits	Financial instruments at amortised cost	40	40
	Sundry Creditors	Financial instruments at amortised cost	1 452 692	291
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	2 053 144	1 655 323
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	-	-
	Capitalised Lease Liability	Financial instruments at amortised cost	68 667	47 433
	Hire Purchase	Financial instruments at amortised cost	245 452	-
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	726 421	578 986
			18 452 206	**8 987 147**
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		**18 452 206**	**8 987 147**

43 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date for the financial year ended 30 June 2012.

44 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

46 CONTINGENT LIABILITY

Claim against Council	**1 205 000**	
Estimate legal Fees	**-**	**-**

The Municipality is currently engaged in litigation which could result in damages/costs being awarded agains Council if the claimant is successful in their action. The following is the estimate exposure:

Creative Harvest (Pty) Ltd	2 700 000	
IMATU / SALGA - TASK implimentation	675 775	
	3 375 775	**-**

Creative Harvest (Pty) entered into a service delivery agreement with the Municipality to render the brand positioning services in 5 phases. The Municipality stopped payments due to the fact that it viewed the contract and payments made in terms of this contract as irregular. Phases 1 and 2 is completed and paid for.

IMATU won a court case against SALGA for not implementing the TASK evaluation results on the correct salary scales. SALGA is currently reviewing the court case outcome. The financial exposure is estimated at 2% additional salary increases to all permanent staff members.

47 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

47.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 11 to the Annual Financial Statements.

47.2 Compensation of key management personne

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

47.3 Other related party transactions

No purchases were made during the year where Councillors or staff have an interest.

48 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio improved from 0.45:1 from 0.75:1 in the prior year.

The average debtors' payment days improved from 285 days to 236 days. The debtors impairment ratio decreased to 81 % from the previous years 87%.

Although a bank overdraft is utilised amounting to R 726421; the net cash situation as at 30 June 2012 is R 1324061 positive.

Other Indicators

Possible outflow of recources due the contingent liability disclosed in note 46

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2012

Reconciliation of Carrying Value	Cost					Accumulated Depreciation				Accumulated Impairment				Carrying Value
	Opening Balance	Correction of error	Additions	WIP	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R					R
Land and Buildings	**33 700 300**	**-**	**-**	**-**	**33 700 300**	**797 680**	**212 715**	**-**	**1 010 395**	**-**	**-**	**-**	**-**	**32 689 905**
Land	13 758 300		-		13 758 300	-	-		-				-	13 758 300
Buildings	19 942 000		-		19 942 000	797 680	212 715		1 010 395				-	18 931 605
Infrastructure	**253 373 306**	**-**	**7 772 136**	**-**	**261 145 441**	**34 224 319**	**8 401 499**	**-**	**42 625 818**	**-**	**7 926**	**-**	**7 926**	**218 511 697**
Main: Roads	112 641 426		2 316 520		114 957 947	21 273 335	5 099 170		26 372 505				-	88 585 442
Main: Electricity	18 338 811		1 633 606		19 972 417	1 505 001	399 006		1 904 007				-	18 068 410
Main: Waste Water Management	51 404 321		1 100 716		52 505 037	4 644 858	1 186 962		5 831 820				-	46 673 218
Main: Water	70 988 747		2 721 293		73 710 040	6 801 126	1 716 361		8 517 486		7 926		7 926	65 184 628
						-		-						
Other Assets	**4 168 540**	**-**	**7 534 685**	**-**	**11 703 226**	**1 837 892**	**567 537**	**-**	**2 405 429**	**-**	**-**	**-**	**-**	**9 297 797**
Motor Vehicles	2 503 322		3 298 870		5 802 192	1 238 866	341 009		1 579 876				-	4 222 317
Plant & Equipment	13 683		-		13 683	6 782	1 380		8 162				-	5 521
Office Equipment	513 206		10 693		523 899	58 432	15 462		73 894				-	450 006
Furniture & Fittings	524 258		18 686		542 944	281 228	49 283		330 511				-	212 433
Tools & Equipment	146 076		-		146 076	68 346	15 546		83 892				-	62 184
Computer Equipment	426 519		28 302		454 821	163 947	36 131		200 078				-	254 742
Computer Software	-		42 675		42 675	-	7 552		7 552				-	35 123
Fencing	-		4 135 458		4 135 458	-	96 936		96 936				-	4 038 522
Inventory items	41 476		-		41 476	20 291	4 237		24 528				-	16 948
	291 242 146	**-**	**15 306 821**	**-**	**306 548 967**	**36 859 891**	**9 181 751**	**-**	**46 041 642**	**-**	**7 926**	**-**	**7 926**	**260 499 399**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

13.2 30 JUNE 2011

Reconciliation of Carrying Value	Cost					Accumulated Depreciation				Accumulated Impairment				Carrying Value
	Opening Balance	Correction of error	Additions	WIP	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R					R
Land and Buildings	**33 700 300**	**-**	**-**	**-**	**33 700 300**	**598 260**	**199 420**	**-**	**797 680**	**-**	**-**	**-**	**-**	**32 902 620**
Land	13 758 300		-	-	13 758 300	-	-	-	-				-	13 758 300
Buildings	19 942 000		-	-	19 942 000	598 260	199 420	-	797 680				-	19 144 320
Infrastructure	**241 251 295**	**-**	**-**	**12 122 011**	**253 373 306**	**25 578 093**	**8 646 227**	**-**	**34 224 319**	**-**	**-**	**-**	**-**	**219 148 986**
Main: Roads	107 683 400		-	4 958 026	112 641 426	15 955 001	5 318 334	-	21 273 335				-	91 368 091
Main: Electricity	18 338 811		-	-	18 338 811	1 117 782	387 219	-	1 505 001				-	16 833 810
Main: Waste Water Management	51 404 321		-	-	51 404 321	3 451 068	1 193 791	-	4 644 858				-	46 759 463
Main: Water	63 824 762		-	7 163 985	70 988 747	5 054 242	1 746 884	-	6 801 126		-		-	64 187 622
Other Assets	**3 789 707**	**-**	**378 834**	**-**	**4 168 540**	**1 378 419**	**459 473**	**-**	**1 837 892**	**-**	**-**	**-**	**-**	**2 330 648**
Motor Vehicles	2 503 322		-	-	2 503 322	929 150	309 717	-	1 238 866				-	1 264 456
Plant & Equipment	13 683		-	-	13 683	5 086	1 695	-	6 782				-	6 902
Office Equipment	134 372		378 834	-	513 206	43 824	14 608	-	58 432				-	454 775
Furniture & Fittings	524 258		-	-	524 258	210 921	70 307	-	281 228				-	243 030
Tools & Equipment	146 076		-	-	146 076	51 259	17 086	-	68 346				-	77 730
Computer Equipment	426 519		-	-	426 519	122 960	40 987		163 947				-	262 571
Computer Software	-		-	-	0	-	-		-				-	-
Fencing	-		-	-	0	-	-		-				-	-
Inventory items	41 476		-	-	41 476	15 219	5 073		20 291				-	21 185
	278 741 301	**-**	**378 834**	**12 122 011**	**291 242 146**	**27 554 772**	**9 305 120**	**-**	**36 859 891**	**-**	**-**	**-**	**-**	**254 382 255**

APPENDIX A - Unaudited
SIYATHEMBA MUNICIPALITY
SCHEDULE OF LONG TERM LIABILITIES AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Ref Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2012
HIRE PURCHASE											
ABSA	10.00%	82003806	2019/02/01	-	-	-	621 248		20 335	20 923	600 325
ABSA	10.00%	82003555	2019/02/28	-	-	-	802 737		19 734	33 151	769 586
ABSA	10.00%	82306558	2019/02/01	-	-	-	837 981		-	-	837 981
Total Hire Purchase				**-**	**-**	**-**	**2 261 967**	**-**	**40 069**	**54 074**	**2 207 893**
LEASE LIABILITY											
Fintech (Gestetner)		847799/1	2015/07/01			350 234	-	-	42 787	47 433	302 801
Total Lease Liabilities				**-**	**-**	**350 234**	**-**	**-**	**42 787**	**47 433**	**302 801**
TOTAL LONG TERM LIABILITIES				**-**	**-**	**350 234**	**2 261 967**	**-**	**82 856**	**101 507**	**2 510 694**

APPENDIX B - Unaudited
SIYATHEMBA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
884 544	(10 209 444)	(9 324 900)	Executive & Council	1 006 801	(10 433 434)	(9 426 632)
15 841 360	(19 906 393)	(4 065 033)	Budget & Treasury	17 531 766	(18 084 520)	(552 754)
677 965	(1 359 973)	(682 008)	Community and Social Services	991 931	(1 158 989)	(167 058)
233 445	(1 066 562)	(833 117)	Corporate Services	281 733	(1 417 998)	(1 136 264)
9 981 369	(8 126 150)	1 855 219	Electricity	11 088 733	(9 397 781)	1 690 951
-	(2 233)	(2 233)	Health	-	(6 975)	(6 975)
35 254	-	35 254	Housing	39 606	-	39 606
-	(5 224)	(5 224)	Public Safety	-	(569)	(569)
5 667 636	(1 209 245)	4 458 391	Road Transport	2 893 556	(2 494 304)	399 251
8 437 266	(5 020 716)	3 416 549	Planning and Development	10 279 441	(6 996 410)	3 283 031
2 298 360	(2 325 127)	(26 766)	Waste Management	2 116 347	(2 953 178)	(836 831)
5 023 658	(3 362 702)	1 660 956	Waste Water Management	4 622 214	(3 845 289)	776 925
7 618 632	(5 734 275)	1 884 358	Water	11 933 373	(7 087 389)	4 845 984
						-
56 699 489	(58 328 043)	(1 628 555)	Sub Total	62 785 501	(63 876 836)	(1 091 335)
-	-	-		-	-	-
56 699 489	(58 328 043)	(1 628 555)	**Total**	62 785 501	(63 876 836)	(1 091 335)

APPENDIX C - Unaudited
SIYATHEMBA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
884 544	(10 209 444)	(9 324 900)	Executive & Council	1 006 801	(10 433 434)	(9 426 632)
15 841 360	(19 906 393)	(4 065 033)	Budget & Treasury	17 531 766	(18 084 520)	(552 754)
233 445	(1 066 562)	(833 117)	Corporate Services	281 733	(1 417 998)	(1 136 264)
8 437 266	(5 020 716)	3 416 549	Planning and Development	10 279 441	(6 996 410)	3 283 031
-	(2 233)	(2 233)	Health	-	(6 975)	(6 975)
677 965	(1 359 973)	(682 008)	Community and Social Services	991 931	(1 158 989)	(167 058)
35 254	-	35 254	Housing	39 606	-	39 606
-	(5 224)	(5 224)	Public Safety	-	(569)	(569)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
2 298 360	(2 325 127)	(26 766)	Waste Management	2 116 347	(2 953 178)	(836 831)
5 023 658	(3 362 702)	1 660 956	Waste Water Management	4 622 214	(3 845 289)	776 925
5 667 636	(1 209 245)	4 458 391	Road Transport	2 893 556	(2 494 304)	399 251
7 618 632	(5 734 275)	1 884 358	Water	11 933 373	(7 087 389)	4 845 984
9 981 369	(8 126 150)	1 855 219	Electricity	11 088 733	(9 397 781)	1 690 951
-	-	-	Other	-	-	-
						-
56 699 489	(58 328 043)	(1 628 555)	**Total**	62 785 501	(63 876 836)	(1 091 335)

APPENDIX D - Unaudited
SIYATHEMBA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2011	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2012
	R	R	R	R	R	R
National Government Grants						
Equitable share	-	17 829 000		17 829 000	-	-
Financial Management Grant (FMG)	-	1 450 000		1 160 937	-	289 063
Municipal Infrastructure Grant (MIG)	735 457	10 246 000		-	10 246 000	735 457
Municipal Systems Improvement Grant	-	790 000		790 000	-	-
Department of Water affairs and forestry	46 381	5 544 502		-	5 856 694	-265 810
EPWP Project	3 166	529 000		277 761	-	254 405
Provincial Government Grants						
Project Library	-	580 000		580 000	-	-
Department of Roads - Tarring projects	520 650	1 605 191		1 701 291	-	424 550
Housing Grant	349 669	-		-	-	349 669
	-	-		-	-	-
Total	**1 655 323**	**38 573 694**	**-**	**22 338 988**	**16 102 694**	**1 787 334**

APPENDIX D - Unaudited
SIYATHEMBA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2010	Correction of Error	Balance 1 JULY 2010	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2011
	R	R	R	R	R	R	R	R
National Government Grants								
Equitable share	-	-	-	15 440 466		15 440 466		-
Financial Management Grant (FMG)	-	-	-	1 200 000		1 200 000		-
Municipal Infrastructure Grant (MIG)	2 867 821	-508 561	3 376 382	5 526 000			8 166 925	735 457
Municipal Systems Improvement Grant	-	-	-	750 000		750 000		-
Department of Water affairs and forestry	-	-	-	344 638		344 638		-
Integrated National Electrification Grant			-					-
			-					-
Provincial Government Grants								
Project Library			-	360 000		360 000		-
Department of Roads - Tarring projects			-	6 172 800	-	-	5 652 150	520 650
Housing Grant			-	519 104		169 436		349 669
			-					-
			-					-
District Municipality Grants			-					-
			-					-
			-					-
			-					-
Other Grants								
LOTTO - Sport field upgrading	-		-					-
EPWP Project	3 166		3 166					3 166
Feasibility study funding	46 381		46 381					46 381
			-					-
			-					-
Total	**2 917 368**	**-508 561**	**3 425 929**	**30 313 008**	**-**	**18 264 539**	**13 819 075**	**1 655 323**

Markrisiko Analise: (Slegs van toepassing op alle finansiële instrumente wat aan markrisiko's blootgestel.)

Kwantitatiewe openbaarmaking:

Die volgende inligting word vir openbaarmaking vereis.

- Sensitiwiteitsontleding vir alle markrisiko's (forex, rentekoers en ander prysrisiko's) - wat redelik moontlik is (gebruik oordeel)
- Die metodiek en aannames wat by die sametelling van die sensiwiteitsontleding aangewend is.
- Veranderinge van die vorige tydperk betreffende metodiek en aannames en die rede waarom hierdie veranderinge aangebring is.

jaareind blootstelling reflekteer nie die blootstelling gedurende die jaar nie), openbaar die feit sowel as die rede waarom dit nie verteenwoordigend is nie.

Increase	1.0%
Decrease	0.5%

		Rentekoers risiko			
		Increase in interest rates		Decrease in interest rates	
		1.0%		0.5%	
	Rand bedrag wat aan risiko blootgestel is.	Surplus	Reserves	Defecit	Reserves
FINANCIAL ASSETS					
Non Current Assets					
Investments	-	-	Nvt	-	Nvt
Long-Term receivables (including current portion)	-	-	Nvt	-	Nvt
Current Assets					
Trade receivables from exchange transactions (net of provision)	-	-	Nvt	-	Nvt
Other receivables from non-exchange transactions (net of provision)	-	-	Nvt	-	Nvt
Other debtors	-	-	Nvt	-	Nvt
Amounts receivable from associates	-	-	Nvt	-	Nvt
Cash and Cash equivalents					
- Positive cash balances and deposits	2 049 682	20 497	Nvt	-10 248	Nvt
- Cash on hand	-	-	Nvt	-	Nvt
Unpaid conditional grants and subsidies	-	-	Nvt	-	Nvt
Impact of financial assets on surplus/(defecit)		20 497	-	-10 248	-
FINANCIAL LIABILITIES		Verlies		Wins	
Non-current liabilities					
Long Term liabilities	2 510 694	-25 107	Nvt	12 553	Nvt
Non-current Provisions					
- Rehabilitation of landfill-sites	-	-	Nvt	-	Nvt
Current Liabilities					
Provisions					
- Other (not related to employee benefits)	-	-	Nvt	-	Nvt
Trade and Other Payables					
- Trade payables	-	-	Nvt	-	Nvt
- Other creditors that result in an outflow of cash	-	-	Nvt	-	Nvt
- Deposits: Other	-	-	Nvt	-	Nvt
Unspent conditional government grants and receipts	-	-	Nvt	-	Nvt
Unspent conditional public contributions and receipts	-	-	Nvt	-	Nvt
Short-term loans	-	-	Nvt	-	Nvt
Bank Overdraft	726 421	-7 264	Nvt	3 632	Nvt
Impact of financial liabilities on surplus/(defecit)		-32 371	-	16 186	-
Total Impact on Accumulated surplus/(defecit)		-11 874	-	5 937	-

Nota:

-Oordeel moet toegepas word in die bepaling van die sensitiwiteitsontleding hierbo.

- Die rand bedrag gelykstaande aan die buitelandse geldeenheid (ingesluit in die totale drabedrag) moet hierbo ingevul word.
- Die rentekoers risiko ontleding hierbo is verwant aan finansiële instrumente wat aan 'n spesifieke rentekoers (bv prima) gekoppel is, dus aan veranderlike rentekoerse. **Indien die rentekoers op 'n finansiële instrument 'n vaste koers is, moet 'n aparte sensitiwiteitsontleding uitgevoer word, waar die toekomstige kontantvloeie teen die aangepaste koers (sensitiwiteitsontleding) verdiskonteer word om die effek op die wins/verlies te bepaal.**

Markrisiko Analise: (Slegs van toepassing op alle finansiële instrumente wat aan markrisiko's blootgestel.)

Kwantitatiewe openbaarmaking:

Die volgende inligting word vir openbaarmaking vereis.

- Sensitiwiteitsontleding vir alle markrisiko's (forex, rentekoers en ander prysrisiko's) - wat redelik moontlik is (gebruik oordeel)
- Die metodiek en aannames wat by die sametelling van die sensiwiteitsontleding aangewend is.
- Veranderinge van die vorige tydperk betreffende metodiek en aannames en die rede waarom hierdie veranderinge aangebring is.

jaareind blootstelling reflekteer nie die blootstelling gedurende die jaar nie), openbaar die feit sowel as die rede waarom dit nie verteenwoordigend is nie.

Increase	0.5%	
Decrease	0.5%	

		Rentekoers risiko			
		Increase in interest rates		Decrease in interest rates	
		0.5%		0.5%	
	Rand bedrag wat aan risiko blootgestel is.	Surplus	Reserves	Defecit	Reserves
FINANCIAL ASSETS					
Non Current Assets					
Investments	-	-	Nvt	-	Nvt
Long-Term receivables (including current portion)	-	-	Nvt	-	Nvt
Current Assets					
Trade receivables from exchange transactions (net of provision)	-	-	Nvt	-	Nvt
Other receivables from non-exchange transactions (net of provision)	-	-	Nvt	-	Nvt
Other debtors	-	-	Nvt	-	Nvt
Amounts receivable from associates	-	-	Nvt	-	Nvt
Cash and Cash equivalents					
- Positive cash balances and deposits	754 950	3 775	Nvt	-3 775	Nvt
- Cash on hand	-	-	Nvt	-	Nvt
Unpaid conditional grants and subsidies	-	-	Nvt	-	Nvt
Impact of financial assets on surplus/(defecit)		3 775	-	-3 775	-
FINANCIAL LIABILITIES		Verlies		Wins	
Non-current liabilities					
Long Term liabilities	350 234	-1 751	Nvt	1 751	Nvt
Non-current Provisions					
- Rehabilitation of landfill-sites	-	-	Nvt	-	Nvt
Current Liabilities					
Provisions					
- Other (not related to employee benefits)	-	-	Nvt	-	Nvt
Trade and Other Payables					
- Trade payables	-	-	Nvt	-	Nvt
- Other creditors that result in an outflow of cash	-	-	Nvt	-	Nvt
- Deposits: Other	-	-	Nvt	-	Nvt
Unspent conditional government grants and receipts	-	-	Nvt	-	Nvt
Unspent conditional public contributions and receipts	-	-	Nvt	-	Nvt
Short-term loans	-	-	Nvt	-	Nvt
Bank Overdraft	578 986	-2 895	Nvt	2 895	Nvt
Impact of financial liabilities on surplus/(defecit)		-4 646	-	4 646	-
Total Impact on Accumulated surplus/(defecit)		-871	-	871	-

Nota:

-Oordeel moet toegepas word in die bepaling van die sensitiwiteitsontleding hierbo.

- Die rand bedrag gelykstaande aan die buitelandse geldeenheid (ingesluit in die totale drabedrag) moet hierbo ingevul word.
- Die rentekoers risiko ontleding hierbo is verwant aan finansiële instrumente wat aan 'n spesifieke rentekoers (bv prima) gekoppel is, dus aan veranderlike rentekoerse. **Indien die rentekoers op 'n finansiële instrument 'n vaste koers is, moet 'n aparte sensitiwiteitsontleding uitgevoer word, waar die toekomstige kontantvloeie teen die**